

New international hydrocarbons offshore tenders launched for Crete and Ionian Sea

October 09 2017 | Contributed by [Rokas Law Firm](#)

[Overview](#)

[Recent tenders](#)

[New tender procedures](#)

Overview

During the past few years, the Greek hydrocarbons regulatory sector (prospection, exploration and exploitation) has undergone significant changes resulting from an attempt to improve the existing legal framework. Law 4001/2011 revised the Hydrocarbons Law (2289/1995), which transposed EU Directive 94/22/EC on the conditions for granting and using authorisations for the prospection, exploration and production of hydrocarbons. The 2011 law sought to:

- provide for a new investment-friendly policy;
- adopt best international practices; and
- establish a state authority – namely, the Hellenic Hydrocarbons Resources Management SA (HHRM) – whose main responsibility is to manage the Greek hydrocarbon resources. The establishment of the HHRM was set out in Presidential Decree 14/2012.⁽¹⁾

The Hellenic Republic grants exploration and exploitation rights for onshore or offshore block areas (over which the Greek state has sovereign rights) via a lease agreement or a production sharing agreement between private investors and the HHRM on behalf of the Greek state. In practice, a lease agreement is usually preferred. The process of awarding exploration and exploitation rights takes place through:

- a tender invitation to interested investors via an international licensing round;
- an application by interested investors which, on approval, is followed by an invitation to tender; or
- an open invitation (open door) for expressions of interest.

Any tender invitation is published in both the *Government Gazette* and in the *Official Journal of the European Union* and the deadline to submit bids is at least 90 days following publication in the latter. Further, the tender invitation describes the areas of interest, the eligibility criteria and all other respective issues (eg, bank guarantee, royalties, minimum exploration works, the time limit for granting the respective licence and signature and production bonuses). Notably, the chosen preferred investor may be vetoed by the minister of environment and energy where no submitted offers are considered advantageous for the Greek state. The execution of such lease agreements with HHRM is subject to the minister's approval; otherwise, they are deemed to be null and void.

The duration of the exploration stage cannot exceed seven years for onshore areas and eight years for offshore ones. The aforementioned stage is divided into three phases: each refers to a separate work programme that leads either to the next phase or the withdrawal from further commitments at the end of each phase. The possibility of extension is open up to 50% of the initial period under specific terms and conditions, as described in the agreement. On a declaration of commerciality, the lease moves on to the exploitation phase. From that date onwards, the lessee holds exploitation rights over a 25-year period, with the possibility of two five-year extension periods each.

AUTHOR

[Stefania
Chatzichristofi](#)



Termination of the lease agreement where the minimum work programme is not fulfilled is subject to compensation amounting to the minimum expenditure obligation.

Recent tenders

In 2014 Greece initiated its tender process for offshore hydrocarbons exploration in 20 block areas in the Ionian Sea and Crete. An evaluation committee was appointed by the minister of environment and energy in order to examine the received offers. The evaluation for Blocks 2 and 10 was finalised and the preferred bidders were announced:

- for Block 2: Total Greece as the operator, Edison International and the Hellenic Petroleum; and
- for Block 10: Hellenic Petroleum.

In order for the Greek state to make the investment more attractive, a substantial decrease in its corporate tax rate from 40% to 25% has been made. This 25% consists of a 20% income tax and a 5% regional tax.

New tender procedures

On August 11 2017 two international tenders granting exploration and exploitation rights for the block areas of Southwest and West Crete, as well as the Ionian Sea, were published in the *Official Gazette*. This publication follows the expressions of interest by the consortium Total-ExxonMobil-Hellenic Petroleum for Southwest and West Crete and Energean Oil and Gas for the Ionian Sea.

The expected announcement by the *Official Journal of the European Union* will also allow other interested stakeholders to submit offers within 90 days of publication of the invitation for the submission of offers in the journal. The offers should be submitted to the HHRM and each applicant must pay a €5,000 application fee. Lease agreements will be offered to investors. The 25% taxation rate consisting of a 20% income tax and a 5% regional tax will also apply in this tender procedure. Moreover, and given the significant impact on the environment, a strategic environmental assessment will be conducted by the Greek state and made available online on the HHRM's website by the date of the publication in the *Official Journal of the European Union*.

Following the international tenders' terms, bid appraisals will be processed over 60 days and any agreements will be signed 60 days after this phase has been completed. This entails that the procedure is expected to be completed at the end of 2017, or possibly in early 2018, if there are no extraordinary delays. It is also expected that new investors – apart from the ones that have already expressed their interest – will submit applications, while it is envisaged that reactions are bound to arise concerning the obligation of the applicants to buy the results of the seismic surveys for the area of their interest that have already been conducted in the Greek seas.

For further information on this topic please contact [Stefania Chatzichristofi](mailto:s.chatzichristofi@rokas.com) at Rokas Law Firm by telephone (+30 210 361 6816) or email (s.chatzichristofi@rokas.com). The Rokas Law Firm website can be accessed at www.rokas.com.

Endnotes

(1) *Official Government Gazette* A'21/13.02.2012

The materials contained on this website are for general information purposes only and are subject to the [disclaimer](#).